
About the Application

Because the application is the first step in the financial aid process, it's important that it be completed correctly. In this chapter, we discuss some of the more complex parts of the application.

DEPENDENCY STATUS

If the student is considered to be a dependent of his or her parents, information on the income (and assets, if applicable) of the parents must be collected on the financial aid application, and a parental contribution will be added to the student's contribution to determine the EFC. If the student meets certain criteria, he or she is automatically considered to be independent. In unusual cases, an aid administrator can determine that a student who doesn't meet the criteria should still be treated as an independent student.

Independent Student Definition

Cite

Sec. 480(d)

Independence Criteria

For the 2000-2001 award year, a student is automatically independent if he or she meets one of the following criteria:

- The student was born before January 1, 1977.
- The student is a graduate or professional student (see "Graduate or professional," page 108).
- The student is married on the date he or she applies.
- The student is an orphan or a ward of the court (or has been a ward of the court until reaching the age of 18).
- The student is a veteran of the U.S. armed forces (see "Veteran," page 108).
- The student has certain dependents other than a spouse (see "Legal dependents," page 110).

Note that a student's living situation (that is, whether the student lives with his or her parents) does not affect the student's dependency status.

Graduate or professional

The FAFSA asks the student if he or she will be working on a degree beyond a bachelor's degree in the 2000-2001 school year. A student who answers "Yes" to this question is a graduate or professional student, and thus independent.

Graduate and professional students aren't eligible for Pell, so a student who answers "Yes" to this question on the application will be unable to receive a Pell. If the student incorrectly said he or she was a graduate student, he or she must submit a correction before he or she can get a Pell.

Students should fill out the FAFSA based on their grade level at the start of the school year. If a dependent student completes her undergraduate program during the year and begins graduate school, she can then change her answer to the dependency question on the SAR, and ED will reprocess her application, or she can have the FAA correct her financial aid record and package.

Married

If the student's relationship meets the criteria for common-law marriage in his or her state, the student is considered to be married. A student who is married but separated is considered married for the purposes of determining dependency status, not divorced or single.

Marital status can't be projected and the application must be filled out according to the student's marital status at the time. If the student is married (without separation) and a divorce is planned, the student must file as married. If the student is engaged to be married before the end of the award year, the student must still file as unmarried, unless he or she waits until after the marriage to complete the FAFSA.

Orphan

The student is an orphan if both his or her parents are dead and the student doesn't have an adoptive parent. Such a student is considered an orphan even if he/she has a legal guardian.

Ward of the court

Any student who is declared a ward of the court before the end of the award year, regardless of the student's living arrangements, is considered to be an independent student for that award year. If the student has already applied as a dependent student, he or she must update his or her status (see Chapter 9 of this publication). Note that a student is not considered a ward of the court based on being incarcerated. Also, emancipation does not qualify a student as a ward of the court and is not sufficient for a student to be considered independent.

Veteran

For the purpose of SFA eligibility, veterans are those who have engaged in active service in the U.S. Army, Navy, Air Force, Marines or Coast Guard and were released under a condition other than

dishonorable. There is no minimum amount of time the student has to have served to be a veteran, but it does have to be active service.

The application also tells students to answer “Yes” to the question about veteran status if they aren’t yet a veteran but will be by June 30, 2001. Students who attended a U.S. military academy for at least one day but withdrew in good standing are also counted as veterans, but those who are currently attending a U.S. military academy are not. ROTC students are not veterans.

Members of the National Guard or Reserves are not considered members of the U.S. Armed Forces, nor is training considered active military duty. Members of the National Guard and Reserves who serve on active duty for non-training purposes are veterans, even if they remained reservists throughout their active duty service.

Veteran match

The FAFSA processing system also performs a match with the Department of Veterans Affairs (VA) records to confirm a student’s veteran status. If the student answers “Yes” to the question about veteran status, the Department will send the student’s information to the VA for matching. The VA will see whether the student is a veteran, and send the results back to the CPS. The match results are provided by a match flag in the FAA Information Section of the output document.

- **Successful match.** There won’t be any comments on the output document if the VA confirms that the student is a veteran.
- **Not a veteran.** If the VA reports that the student isn’t a veteran, the CPS assumes that the answer to the veteran question is “No.” Note that because the VA’s definition of “veteran” for VA benefits is narrower than SFA’s definition, the student might still be eligible for financial aid. There will be a comment on the output document for the student explaining the problem. If the VA results are wrong, the student should contact a regional VA office to have the records corrected and get proper documentation. However, if the student answered “Yes” to one of the other dependency questions, he or she is an independent based on that question and can receive student aid without resolving the VA problem. If the student answered “No” to all the other dependency questions, he or she is treated like a dependent student until the VA records are updated. Once the records are updated, the student can submit a correction marking the answer to the veteran question as “Yes” to have the VA perform the match again. Otherwise, the student will need to provide parental data. If the student has documentation (such as a DD214 form with “Character of Service” as anything but “dishonorable”) showing that he or she is a veteran, the school can do a dependency override to treat the student as independent and allow the student to receive aid before the problem with the VA database is resolved. Also, if

Match Flag for Successful Veteran Match

1

Match Flag for Not a Veteran

2

Comments for Not a Veteran

162, 163

Early Exit Cadets

Students who attend a service academy but are honorably discharged prior to commission are veterans for SFA purposes, but aren’t veterans for VA purposes. These students will receive match results showing that they aren’t veterans. Just like other students who receive these match results, if the early exit cadet meets one of the other criteria for independence, then no resolution is required. If, however, an early exit cadet meets no other independence criteria, the school will have to perform a dependency override to make the student independent. Of course, the school must have appropriate documentation of the student’s situation.

Match Flag for Not on Database

3

Comments for Not on Database

173, 174

Match Flag for Active Duty

4

Comment for Active Duty

180

Legal Dependent Examples

George is living with Emma. George isn't employed, and has no income, so Emma is completely supporting him. Emma plans to continue supporting George through the end of the award year, so she answers "Yes" to the legal dependent question when she fills out her FAFSA.

Laurel is going to college and is her cousin Paul's legal guardian. Paul receives Social Security benefits, but because he's a minor, the benefits are paid to Laurel on his behalf. These benefits provide more than half of Paul's support. Because Paul lives with Laurel, and will be supported by her (through the Social Security benefits) throughout the 2000-2001 award year, Laurel answers "Yes" to the legal dependent question. Note that if Paul didn't live with Laurel, Laurel would have to answer "No" to the question, even though she's supporting him.

a National Guardsman or a Reservist who served on active duty did not receive a DD 214, and can obtain a letter from a superior officer that documents the call-up to active duty and classifies the Character of Service as anything but dishonorable, the student will be considered a veteran for SFA purposes.

- **Not on database.** If the student isn't listed on the VA database, the CPS assumes that the answer to the veteran question is "No." Again, there will be a comment explaining the problem on the output document. A student who answered "Yes" to one of the other dependency questions doesn't need to resolve the problem before receiving student aid, although he or she should have the VA correct its database if it's wrong. A student who answered "No" to the other dependency questions is treated like a dependent student until he or she resolves the problem with the VA. The student must either provide parental data or resolve the problem with the VA and submit a correction marking the answer to the veteran question as "Yes" to have his or her veteran status confirmed. As mentioned above, the school can also do a dependency override if the student provides documentation that he or she is a veteran.
- **Active duty.** If the student is currently on active duty, he or she isn't a veteran yet. However, if the student's active duty status will end by June 30, 2001, he or she is counted as a veteran for purposes of dependency status. Because the student might be a veteran later in the year, the CPS doesn't assume that the answer to the veteran question is "No." A student who's already independent by one of the other independence criteria doesn't have to resolve this situation. Otherwise, the student must provide documentation to the school that he or she will be released from active duty by June 30, 2001 before the school can disburse aid.

Legal dependents

If the applicant has a legal dependent (other than a spouse), then the applicant is independent. Legal dependents include children for whom the applicant provides more than half support and persons other than the child or spouse who live with the applicant and get more than half of their support from the applicant.

Counting children as legal dependents. The application asks if the applicant has children who receive more than half their support from the applicant. An applicant whose unborn child will be born before the end of the award year can answer "Yes" to this question. An adopted child is considered the applicant's child, but not a child for whom the applicant serves as legal guardian or foster parent. Also note that a child doesn't necessarily have to live with the applicant, as long as the applicant provides more than half the support for him/her.

Veteran Status Match

<i>Result</i>	<i>Match flag</i>	<i>“C” code or rejected application</i>	<i>Comment number and text</i>	<i>Action needed</i>
VA confirmed veteran status	1		No comment.	None
Not a qualifying veteran, and not otherwise independent.	2	C code	162 The Department of Veterans Affairs (VA) did not confirm that you are or will be a qualifying veteran for receiving Federal student aid for the 2000-2001 school year. If this is correct, you should have provided your parents' information in Step Four. If you did not, you must provide the information in Step Four and you and your parent must sign the Certification statement on Part 2 of your SAR. If you believe you are or will be a qualifying veteran, you must contact a VA office to resolve this problem.	<p>In this situation, CPS assumes that the answer to the veteran question is “No.” If the student didn't provide the parents' data and signature on the application, his or her application will be rejected (Reject 15 and/or Reject 2).</p> <p>If the match results are wrong, the student should contact a regional VA office to have VA records updated. The student will then need to correct the veteran question to “Yes” so that his or her information will be rematched with the VA database.</p> <p>If the student has documentation that clearly shows that he or she is a veteran, the school can perform a dependency override, changing the student's status to independent. The student will then be able to receive SFA assistance while he or she is resolving the problem with the VA, instead of waiting until the problem is resolved. As documentation, the student may provide the DD214 form showing that the discharge from military service was other than dishonorable.</p>
Not a qualifying veteran, but independent for other reasons.	2		163 The Department of Veterans Affairs (VA) did not confirm that you are or will be a qualifying veteran for receiving Federal student aid for the 2000-2001 school year. If this is not correct, you must contact a VA office to resolve this problem.	<p>Because the student is independent for other reasons, he or she can receive aid without resolving this match problem.</p> <p>If the student is a veteran, he or she may contact a regional VA office to have VA records updated. If the student submits a correction, marking the answer to the veteran question “Yes,” his or her information will be rematched with the VA database.</p>

Issues involving support. If the applicant is receiving support from other parties to raise the child, is the child still considered a legal dependent? In the case of government programs that provide benefits for dependent children, those benefits should be considered as part of the applicant's support to the child. For instance, Temporary Assistance to Needy Families (TANF) and other benefits provided to applicants on the basis of their having dependent children are considered income to the applicant. Therefore, an applicant may be considered independent when one of the primary

Veteran Status Match (continued)

<i>Result</i>	<i>Match flag</i>	<i>"C" code or rejected application</i>	<i>Comment number and text</i>	<i>Action needed</i>
Not in VA database and not otherwise independent.	3	C code	173 The Department of Veterans Affairs (VA) did not confirm that you are or will be a qualifying veteran for receiving Federal student aid for the 2000-2001 school year. If this is correct, you should have provided your parents' information in Step Four. If you did not, you must provide the information in Step Four and you and your parent must sign the Certification statement on Part 2 of your SAR. If you believe you are or will be a qualifying veteran, you must contact a VA office to resolve this problem.	<p>In this situation, CPS assumes that the answer to the veteran question is "No." If the student didn't provide the parents' data and signature on the application, his or her application will be rejected (Reject 15 and/or Reject 2).</p> <p>If the match results are wrong, it's likely that the military branch or Department of Defense has not sent the data to VA. The student should contact a regional VA office to have VA records updated. The student will then need to correct the veteran question to "Yes" so that his or her information will be rematched with the VA database.</p> <p>If the student has documentation that clearly shows that he or she is a veteran, the school can perform a dependency override, changing the student's status to independent. The student will then be able to receive SFA assistance while he or she is resolving the problem with the VA, instead of waiting until the problem is resolved. As documentation, the student may provide the DD214 form showing that the discharge from military service was other than dishonorable.</p>
Not in VA database but independent for other reasons.	3		174 The Department of Veterans Affairs (VA) did not confirm that you are or will be a qualifying veteran for receiving Federal student aid for the 2000-2001 school year. If this is not correct, you must contact a VA office to resolve this problem.	<p>Because the student is independent for other reasons, he or she can receive aid without resolving this match problem.</p> <p>It's likely that the military branch or Department of Defense has not sent the data back to VA. If the student is a veteran, he or she may contact a regional VA office to have VA records updated. If the student submits a correction, marking the answer to the veteran question "Yes," his or her information will be rematched with the VA database.</p>

means of support for the qualifying child is the benefits the applicant is receiving or will receive for the child. (The Department *does not* follow the IRS Guidelines, which state that such recipients cannot claim their children as legal dependents because the assistance program provides more than 50% of the children's support.)

If one or both of the applicant's parents are directly or indirectly providing more than 50% support in cash or other assistance to the applicant's child, then the applicant would answer

Veteran Status Match (continued)

<i>Result</i>	<i>Match flag</i>	<i>“C” code or rejected application</i>	<i>Comment number and text</i>	<i>Action needed</i>
Still on active duty.	4	C code	180 The Department of Veterans Affairs (VA) has confirmed that you are currently serving in the U.S. Armed Forces. You indicated on your application that you will be released from active duty by June 30, 2001. You must provide documentation of this to your FAA before you can receive Federal student aid.	A student who's already independent by one of the other independence criteria doesn't have to resolve this match problem. Otherwise, the student must provide documentation to the school that shows his or her active duty status will end by June 30, 2001. Acceptable documentation would be upcoming release orders from a military branch, typically in memorandum format or letter, stating intent to release.

“No” to the FAFSA question about legal dependents. “Indirect support” to the child includes support that the parent(s) give to the applicant on behalf of the child.

The situation is similar if the applicant is living with the parent(s) and the parent(s) are paying for most of the household expenses. In most cases, the applicant's parent(s) would be considered the primary source of support to the child. Thus, the applicant would answer “No” to the question about legal dependents. (However, there may be some cases where the applicant can demonstrate that he/she provides more than half of the child's support, even while living at home, in which case the applicant would be considered independent and answer “Yes” to the question about legal dependents.)

Dependency Overrides

In unusual circumstances, a student who does not meet any of the dependency criteria may still be considered to be independent on the basis of the financial aid administrator's professional judgment. The aid administrator must make this decision on an individual (case-by-case) basis and must document the reason(s) for the decision. (See Chapter 9 of this publication for more on professional judgment in general.) To allow the dependent student's application to be processed without the parents' information, the aid administrator must perform a dependency override.

The parents' unwillingness to assist the student isn't, in and of itself, grounds for a dependency override. Nor can a school perform a dependency override solely because the parents are unwilling to provide information on the application or information needed for verification.

Dependency Override Cite *Sec. 480(d)(7)*

Dependency Override Example
Chavo is living with his uncle Eddy. He hasn't seen either of his parents since he was five, and has lived with Eddy all that time. Chavo wants to receive aid to attend Sarven Technical Institute, and can't provide any information on his parents. Sarven asks Chavo to provide information about his relationship with his parents. He provides a letter from his high school counselor explaining that Chavo isn't in contact with his parents, and that the school has dealt with Eddy as Chavo's guardian. He also has letters from other friends of the family explaining the family problems, and tax forms showing that Eddy claims Chavo as his dependent. The FAA at Sarven looks at all the information, and decides that with these circumstances Chavo shouldn't be treated as dependent on his parents, and so performs a dependency override on his application.

Independent Student with Parental Support Example

Doug is a graduate student at Guerrero University. Because he's a graduate student, he's independent. However, he's still living with his parents, and has no income of his own. Although the FAA at Guerrero can't make Doug a dependent student, she decides to add an amount to his untaxed income as reported in Question 46 to account for the living expenses his parents are paying.

FAFSA School Use Only Box

SCHOOL USE ONLY	
D/O <input type="radio"/> 1	Federal School Code <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
FAA Signature	
<input type="text"/>	

An aid administrator may override only from dependent to independent. He or she can't require a student who meets one of the criteria for independence to file as a dependent. However, if an independent student is receiving substantial support from his or her parents, a school may use professional judgment to adjust one or more of the FAFSA data elements, such as untaxed income.

A student receiving a dependency override on his or her initial application answers the questions on the FAFSA as if he or she was independent. If the school is filing the application for the student through EDE, the aid administrator can authorize the dependency override by putting in a Dependency Override code of "1" (see the *Application Processing Desk Reference* or the *EDE Technical Reference* for more information). To authorize a dependency override on a paper FAFSA, the aid administrator marks the oval for an override, labeled "D/O," in the School Use Only box on Page 6, fills in the school's Federal School Code, and signs. A separate letter attached to the application (in lieu of making the override) is **not** acceptable.

A financial aid administrator may use EDE or the SAR to override the dependency status of a student who has already applied. In EDE, the aid administrator needs to put in a Dependency Override code of "1." On the SAR, the aid administrator should fill in the oval marked "1" after the D/O label in the School Use Only box, fill in the school's Federal School Code, and sign.

A financial aid administrator may also use EDE or the SAR to cancel a dependency override that another school performed. In EDE, the aid administrator should change the Dependency Override code to "2." On the SAR, he or she should fill in the oval marked "2" after the D/O label, fill in the school's Federal School Code, and sign (see the diagram of the SAR "School Use Only" box in Chapter 9).

HOUSEHOLD INFORMATION

An independent student provides information on how many people are in his or her household and the number of those people who will be attending college. A dependent student provides the same information about his or her parents' household, as well as some general information about the parents.

Definition of "Parent"

The term "parent" doesn't necessarily mean the student's biological parents. There are several instances in which a person other than a student's biological parent is treated as the student's parent for SFA purposes. If this person is considered a parent to the student, then the parental questions on the application must be answered as they apply to that person.

Adoptive and foster parents

An adoptive parent is treated just like a biological parent. A foster parent is not treated as a parent on the application.

Legal guardians and other relatives

A legal guardian is no longer treated as a parent for SFA purposes. If the student's parents are dead, the student is independent. Otherwise, a dependent student must report information about his or her parents even if he or she has a legal guardian, unless the school has a documented reason to perform a dependency override.

If a student is living with his or her grandparents or other relatives, the same principle applies. Unless the relatives have adopted the student, the income of the relatives should not be reported on the FAFSA. The school could, if it wished, consider support the student receives from relatives or others to be unusual circumstances, and use professional judgment to adjust the student's data. Of course, as with any use of professional judgment, the school can only make this type of adjustment on a case-by-case basis (see Chapter 9 of this publication for more on professional judgment).

Stepparents

A stepparent is treated like a biological parent if the stepparent is married, as of the date of application, to a student's biological parent whose information will be reported on the FAFSA or if the stepparent has legally adopted the student. **There are no exceptions.** Prenuptial agreements do not exempt the stepparent from providing required data on the FAFSA. If the biological parent has died and the stepparent survives, then the student is independent (assuming the student is not dependent on the surviving biological parent), unless the stepparent legally adopted the student. Note that the stepparent's income information for the entire base year, 1999, must be reported even if the parent and stepparent were not married until after 1999.

Death, Separation, Divorce

In cases of death, separation, or divorce, a student must answer parental questions on the FAFSA as they apply to the surviving or

Student Living with Relatives Example

Malia's father is dead, and her mother can't support her, so Malia's living with her grandmother. Her mother doesn't pay any money for her support. Malia doesn't meet any of the independence criteria, so she has to provide parental information. Because her grandmother hasn't adopted her, her grandmother isn't her parent. Malia will have to provide information about her mother on the form, unless her school decides to do a dependency override.

Stepparent Example

Meurig's parents divorced when he was seven; his mother later remarried, and Meurig lived with his mother and stepfather. His stepfather didn't adopt him. His mother died in 1999, but his father is still living. Meurig doesn't meet any of the independence criteria, so he's a dependent student. Because his father is his only surviving parent, Meurig needs to report his father's information on the form, even though he's still living with and being supported by his stepfather.

Death, Separation, Divorce Cite *Sec. 475(f)*

Divorce Example

Marta's parents have recently divorced. Marta is 22, and doesn't meet any of the independence criteria. She hasn't lived with her parents since she was 18, so she didn't live with either parent in the past year. Also, neither parent provided support in the past year. The last time she received support from her parents was when she lived with them, and they were still married. She didn't receive money from each parent separately, but her father's income at the time was larger and he contributed more money to the overall household expenses. Therefore, Marta determines that she received more support from her father the last time she received support, and provides her father's income on the form.

Household Size Cites

Sec. 480(k), (l)

Support

Support includes money, gifts, loans, housing, food, clothing, car payments or expenses, medical and dental care, and payment of college costs.

Independent Student Household Size Example

Eddy is an independent student. He was married, but now he and his wife have separated. He's paying child support, but it isn't enough to provide more than half his children's support, so he can't include his children in his household size. He's also supporting his nephew Chavo, and will support him for the entire award year. Because Chavo lives with Eddy, he can be counted in the household size. Therefore, Eddy's household size is 2.

Chavo is also independent, as the result of a dependency override. Although he's living with Eddy, he's not providing any support to Eddy. Chavo's household size is 1.

responsible parent. A student doesn't report information about a spouse if the spouse is dead or if the student and spouse are separated or divorced.

Death of parent

If one, but not both, of the student's parents has died, the student will answer the parental questions about the surviving parent and won't report any financial information for the deceased parent on the FAFSA. If both the student's parents are dead when the student fills out the FAFSA, the student must answer "yes" to Question 58, making the student independent. Remember that an adoptive parent counts as a parent too, but a legal guardian doesn't. If the last surviving parent dies after the FAFSA has been filed, the student must update his or her dependency status and all other information as appropriate (see Chapter 9 for more on updating).

Divorce of parents

If the student's parents are divorced, the student should report the information of only one parent, the parent that he or she lived with the most during the past year. **It doesn't make a difference who claims the student as an exemption for tax purposes.** If the student didn't live with either parent or lived equally with each parent, then the parental information must be provided for the parent from whom the student received the most financial support or the parent from whom the student received the most support the last time support was given.

Separation

A couple doesn't have to be legally separated in order to be considered separated. The couple may consider themselves informally separated when one of the partners has left the household for an indefinite period of time. If the partners live together, they can't be considered informally separated. However, in some states, a couple can be considered legally separated even if they still live together. If the couple's state allows this, and they are legally separated, then they are considered separated though they are still living together. For a dependent student, use the same rules as for divorce to determine which parent's information must be reported.

Common-Law Marriage

If a couple live together and have not been formally married but meet the criteria in their state for a common-law marriage, their status should be reported as married on the application. If the state doesn't consider the situation to be a common-law marriage, then they aren't married. A dependent student should follow the rules for divorce to determine which parent's information should be reported. Check with the appropriate state agency concerning the definition of a common-law marriage.

Household Size

The following persons are included in the household size of an independent student:

- the student;
- the student’s spouse, excluding a spouse not living in the household as a result of death, separation, or divorce;
- the student’s children, regardless of where they live, if they received or will receive more than half of their support from the student’s household from July 1, 2000 through June 30, 2001;
- the student’s unborn child, if that child will be born before July 1, 2001 and the student’s household will provide more than half of the child’s support from the projected date of birth to the end of the award year (if there is a medical determination of a multiple birth, then all expected children can be included); and
- other persons, if they live with the student **and** receive more than half of their support from the applicant’s household at the time of application and will continue to receive that support for the entire 2000-2001 award year (July 1, 2000 through June 30, 2001).

The following persons may be included in the household size of a dependent student’s parents:

- the student (even if the student does not live with the parents);
- the student’s parent(s), excluding a parent not living in the household as a result of death, separation, or divorce;
- the student’s siblings, regardless of where they live, if they received or will receive more than half of their support from the student’s parent(s) between July 1, 2000 and June 30, 2001 **or** if they would be considered dependent based on the FAFSA dependency questions⁷;
- the student’s children, if they received or will receive more than half of their support from the student’s parent(s) from July 1, 2000 through June 30, 2001 (even if the children don’t live with the student’s parents, they must be counted if they meet this criterion);
- the student’s parents’ unborn child or the student’s unborn child, if that child will be born before July 1, 2001 and the student’s parents will provide more than half of the child’s support from the projected date of birth until the award year’s end (if there is a medical determination of a multiple birth, then all expected children can be included); and

Dependent Student Household Size Example

Lydia is a dependent student. Her parents are married, so they are both included in the household size. Her sister Jane is 26, but is still being supported by her parents, so she is also included in the household size. Her sister Elizabeth is attending college, but is an independent student, and isn’t supported by the parents, so she isn’t included in the household size. Her sister Susan is not attending college, but is working and supporting herself. However, if she were to apply for student aid, she would be considered a dependent student, so she is included in the household size. Lydia’s sister Kitty is in college, and is a dependent student as well, and is included in the household size. Therefore, the household size that Lydia reports for her parents is 6.

SFA and IRS Household Rules

The rules used for determining whether or not someone can be counted in the household for SFA purposes aren’t the same as the IRS rules for determining household members or dependents. In particular, whether a divorced or separated parent claims a child as a dependent on the tax form is irrelevant when deciding whose household the child belongs to for SFA purposes.

⁷ The sibling doesn’t have to actually be a student or apply for federal student aid to meet this exception.

Number in College Cite
Sec. 474(b)(3)

- other persons, if they live with **and** receive more than half of their support from the student's parent(s) at the time of application and will continue to receive that support for the entire 1999-2000 award year (July 1, 2000 through June 30, 2001).

Income and Assets Cites
Sec. 480(a), (b), (f), (g)

A student should remember that financial information for a stepparent must be reported on the form and that the stepparent must be included in household size.

For the purpose of including children in the household size, the "support" test is used (rather than a residency requirement) because there may be situations in which a parent supports a child who does not live with him or her, especially in cases where the parent is divorced or separated. In such cases, the parent who provides more than half of the child's support may claim the child in his or her household size. If the parent receives benefits (such as Social Security or AFDC payments) in the child's name, these benefits must be counted as parental support to the child.

Number in College

The student should **always** be included in the number in college. Other members of the household are counted in the number in college if they are or will be enrolled at least half time in a degree or certificate program during the award year. The definition of half-time enrollment for this question must meet the federal requirements, even if the school defines half time differently. (See Chapter 1 of this publication for information on enrollment status requirements.) In addition, the household member must be working toward a degree or certificate leading to a recognized education credential at a school that's eligible for any of the SFA programs.

As a result of the most recent Reauthorization, parents are excluded from the number in college for the 2000-2001 and following years. However, schools will be able to use professional judgment to make adjustments for students with parents in college.

INCOME AND ASSETS

Students need to provide information about their income and assets on the application. Dependent students also provide information about their parents' income and assets. The form collects information on the base-year income and tax information. The base year for 2000-2001 is the 1999 tax year. Students also provide information about their (and their parents') assets as of the date the application is completed. Students only report the net worth of assets, instead of reporting the value and debt.

In previous years, students filled out a separate worksheet to determine whether they met the simplified needs test and so could omit asset information. Beginning with the 1999-2000 application, the student no longer must decide whether or not he or she needs to provide asset information. Instead, all students provide the

Estimated AGI Worksheet

(Note: Use this worksheet to estimate 1999 Adjusted Gross Income [AGI] if you do not have a tax return.)

*For question 40
Student/Spouse*

*For question 74
Parent(s)*

(Wages, salaries, tips, etc. \$ _____ .00 \$ _____ .00

Interest income + _____ .00 + _____ .00

Dividends + _____ .00 + _____ .00

Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, Social Security, Railroad Retirement, and all other taxable income) + _____ .00 + _____ .00

Add all of the numbers in the column = _____ .00 = _____ .00

Subtract IRS-allowable adjustments to income (payments to IRA and Keogh Plans, one half of self-employment tax, self-employed health insurance deduction, interest penalty on early withdrawal of savings, and alimony paid) — _____ .00 — _____ .00

TOTAL — Write this amount in question 40 and/or 74:

\$ _____ .00

\$ _____ .00

information, and the FAFSA processor makes the adjustment for the student (see Chapter 7 of this publication for details).

If the student (or the student's parent) wasn't married in 1999, but is married at the time the application is completed, the student or parent also needs to provide income and asset information for his or her spouse. If the student or the student's parent was married in 1999, but is now separated or divorced, or the spouse has died, the student or parent doesn't provide income and asset information for his or her spouse, even though that information may be on the 1999 tax forms.

Income Match

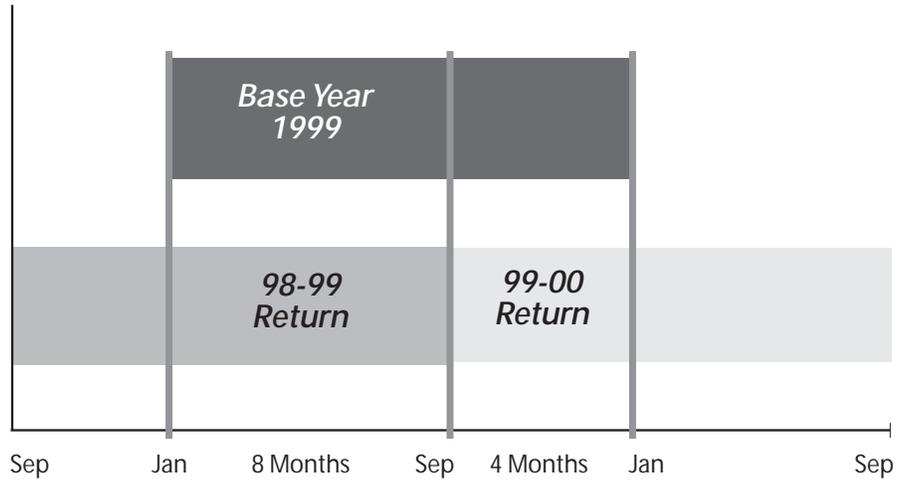
The FAFSA now asks for the parents' social security numbers and last names in preparation for a future match with the IRS on AGI, taxes paid, number of exemptions claimed, and filing status. If at least one parent's last name and SSN are not provided, the student's SAR and ISIR will contain a comment highlighting this. While these are required fields for the FAFSA, because the match is not yet in place, applicants who do not provide this information will still be eligible for financial aid. Schools will not be required to follow up with students for whom this data is missing, but students may be encouraged to provide this parental data.

Fiscal Year Return Example

Owen's parents file a fiscal year tax return. They start their fiscal year in September. The return they filed for the fiscal year starting in September 1998 includes eight months in 1999. The return they'll file for the fiscal year starting in September 1999 includes four months in 1999. Therefore, they should use the information from the tax return for the fiscal year that started in September 1998.

Fiscal Year Example

Owen's parents filed a fiscal tax return for the period from September 1 to August 31. Because the larger portion of the base year (1999) is covered by the 98-99 fiscal return, Owen should report information from that return on the application.



Information from Tax Forms

The student (and parents, for a dependent student) has to report whether a tax form has been or will be filed, and which form was or will be used. Previously, the Department instructed students to report that a 1040A or 1040EZ was used if the student or parents were eligible to use one of those forms but used a 1040 instead. Because there's now a separate question that asks if they were eligible to file a 1040A or 1040EZ, students should indicate which tax form was actually filed.

The FAFSA asks for several items from the tax return: the adjusted gross income (AGI), the total income tax, the exemptions, and the earned income credit. Dependent students report these items for their parents as well. The FAFSA tells students which tax form line item has the information they need to enter. It will be easiest for the students to complete these income and tax-related questions if they've already completed their tax returns. The student can also estimate answers, but if the estimated information is wrong, the student must submit a correction when the tax return is filed. The FAFSA used to provide a worksheet to help the student estimate AGI. Instead of that worksheet, the student can use tax forms to estimate the AGI, or can use the worksheet we've provided here.

Worksheets A and B on the FAFSA also asks for certain items from the tax return and W-2s. The worksheets also tell students which line items to copy the information from.

If the student (or parent) filed a joint return but is now divorced or separated, he or she won't be able to copy the information from the tax forms. Instead, he or she must figure out how much of the income

and taxes paid belongs to him or her. See Chapter 8, “Using a Joint Return to Figure Individual AGI and Taxes Paid,” page 197, for more discussion on methods for calculating this information.

Fiscal year returns

For a fiscal year tax return (as opposed to a return for the calendar year), the student should report information from the fiscal year tax return that includes the greater number of months in 1999.

Tax forms other than IRS forms

Students who filed tax forms other than the IRS forms, such as foreign or Puerto Rican returns, used to be told to report that they filed one of the IRS forms. The application now specifically asks if the student filed a tax return for Puerto Rico, Guam, American Samoa, the Virgin Islands, the Republic of the Marshall Islands, the Federal States of Micronesia, or the Republic of Palau, or a foreign tax return.

For the four items that need to be copied from the form, the student has to determine which line items from his or her tax form correspond most closely to those on the IRS forms. Students filing a foreign tax return need to convert the income and tax amounts to U.S. dollars, using the exchange rate at the time of application.

Nontaxfilers

If a student, his or her parents, or his or her spouse don't file and are not required to file a tax return, they still must report their earnings. In this case, W-2 forms and other such records should be used to answer the questions, although the student should follow the FAFSA instructions and skip the questions that only ask for information from the tax return.

Worksheet A tax form items

Worksheet A collects information about untaxed income and benefits. Both parents and students report these items. Again, a student who hasn't filed will have to estimate these amounts, and students or parents may need to separate information from a joint return. Worksheet A items that are answered from tax forms are:

- **Payments to tax-deferred or sheltered pension and savings plans (paid directly or withheld from earnings).** This includes untaxed portions of 401(k) and 403(b) plans. These amounts are listed on W-2 forms. These types of payments are listed in Box 13 of the W-2, and will have one of the following codes: D, E, F, G, H, or S. Note that employer contributions to these plans shouldn't be reported as an untaxed benefit.
- **Deductible IRA or Keogh payments.** If the student, spouse, or parent can exclude payments to an IRA or Keogh from taxation, those payments are reported as untaxed income. These amounts are reported on the tax return. Note that payments into Education IRAs aren't deductible, so they shouldn't be included in this amount.

- **Tax exempt interest income.** Certain types of interest, such as interest on municipal bonds, are tax exempt. This amount is on the tax return.
- **Foreign income exclusion.** If a U.S. tax filer earns foreign income, part of that income might be excluded from taxable income. To exclude the income, the student or parent files a Form 2555 or 2555EZ. This income counts as untaxed income, so the form tells the student to copy the amount from line 43 of Form 2555 (or line 18 of Form 2555EZ) into Worksheet A.
- **Untaxed portions of pensions.** Certain payments from IRAs or pensions are excluded from taxation. A tax filer calculates how much of his or her IRA distribution or pension payment is taxable when he or she completes the tax return. The student needs to report these untaxed amounts on the FAFSA. Worksheet A explains how to calculate the amount to report from the tax return.
- **Credit for Federal tax on special fuels—nonfarmers only.** Certain tax filers can claim a tax credit for excise taxes they paid during the year on some kinds of fuels. Form 4136 is used to claim this credit, and Worksheet A directs the student to copy information from that form.

Worksheet B tax form items

Worksheet B collects information on items that are included in the taxable income on the tax return, but are excluded from income for student aid purposes. The student doesn't subtract these from the AGI reported on the form, but lists them separately on Worksheet B. The total from the worksheet is then reported on the FAFSA. The CPS subtracts that total from the AGI. Having the AGI from the tax return listed on the application makes the verification process easier.

Worksheet B specifically lists tax form numbers for only one item, the education tax credits, but information for several other items may be on tax forms. The items that can be found on tax forms are:

- **Education tax credits.** These are the Hope and Lifetime Learning tax credits; the application tells students where this information is on the tax return.
- **Taxable earnings for FWS or other need-based work programs.** The student may have received W-2s for these earnings. Otherwise, students will need to use any other records they received showing how much they earned.
- **Student grant and scholarship aid.** A student includes the amount of grants and scholarships he or she received that exceeds his or her tuition, fees, books, and supplies as part of his or her taxable income. The taxfiler is also supposed to write this amount separately on the tax form next to the line where wages and other earnings are reported. If the information was

reported this way, the student can copy that amount from the tax form.

Income Information from Other Sources

The only income items remaining are those reported on Worksheets A and B. As mentioned above, Worksheet A collects information about untaxed income and benefits, and Worksheet B collects information on items to be excluded from taxable income.

Untaxed income—Worksheet A

In general, any income not reported on the tax return should be listed on Worksheet A. Worksheet A lists a number of specific types of untaxed income; these include:

- **Child support received for all children.**
- **Welfare benefits, including Temporary Assistance for Needy Families (TANF).** TANF is the name for the state-administered plans that replaced Aid to Families with Dependent Children (AFDC or ADC) payments.
- **Untaxed Social Security benefits.**
- **Housing, food, and other living allowances.** Some people, particularly clergy and military personnel, receive these kinds of allowances as compensation for their jobs. If the parent or student receives money to pay rent, he or she should list the amount of money received. If the parent receives use of a house or apartment, he or she should report the amount that he or she would pay to rent a comparable house or apartment (market value). Similarly, if the student received free room and board in 1999 for a job that was not awarded as student financial aid, the student must report the value of the room and board as untaxed income. (This category, “housing allowances,” excludes rent subsidies for low-income housing.)
- **Worker’s compensation.**
- **Veterans’ noneducation benefits.** This includes benefits such as Death Pension or Dependency & Indemnity Compensation (DIC).
- **Cash or money paid on the student’s behalf.** The student reports any cash support he or she received, except that a dependent student doesn’t report support received from his or her parents. The parents don’t report cash support that they received.

Worksheet A also has a line for the student to report other types of untaxed income. Any other type of untaxed income the student received that isn’t reported elsewhere is reported here. Some other types of untaxed income are: VA Educational Work-Study allowances, interest income on Education IRAs, untaxed portions of Railroad

Examples of In-Kind Income

- *Food Stamp Program*
- *Women, Infants, and Children Program (WIC)*
- *Food Distribution Program*
- *National School Lunch and School Breakfast programs*
- *Commodity Supplemental Food Program (CSFP)*
- *Special Milk Program for Children*
- *Daycare provided by the Social Services Block Grant Programs (if the recipient receives reimbursement for childcare expenses, that amount is reported as income)*
- *JTPA Benefits*
- *Rollover Pensions*
- *Payments and services received from states for foster care or adoption assistance, under Part A or Part E of Title IV of the Social Security Act*

Dependent Benefits Example

Paul receives Social Security benefits, but because he's a minor, the benefits are paid to Laurel, his guardian, on his behalf. Laurel has to report these benefits as her untaxed income when she completes her FAFSA, even though the benefits are for Paul.

Stanislaw's Uncle Yvor lives with him. Yvor receives a small disability payment each month. This amount is paid directly to Yvor, so Stanislaw doesn't report it as income when he completes the FAFSA. The payment is small enough that Stanislaw is still providing more than half of Yvor's support, and so he includes Yvor in his household size as a dependent. However, next year Yvor is expecting to also start receiving a pension. The combination of the pension and the disability payment will be enough that Stanislaw won't be providing more than half of Yvor's support, and Stanislaw won't be able to include Yvor in his household size any more.

Retirement Benefits, Black Lung Benefits, Refugee Assistance, the untaxed portion of capital gains, and foreign income that wasn't taxed by any government.

Items that shouldn't be included on Worksheet A

There are certain types of income that aren't counted as income in calculating the student's EFC. Two of the major income types that aren't reported are student financial aid and in-kind income. Student aid is taken into account in packaging aid (see Chapter 10 of this publication), and so shouldn't be counted as income. Note that student aid included in the AGI is reported separately as an exclusion so that it can be subtracted from income.

Other types of income that aren't reported on Worksheet A are:

- **Payments and services received from states for foster care or adoption assistance, under Part A or Part E of Title IV of the Social Security Act.**
- **Per capita payments to Native Americans.** Per capita payments received in 1999 from the Per Capita Act or the Distribution of Judgment Funds Act should not be reported unless they exceed \$2,000. Thus, if an individual payment were \$1,500, it would not be reported on an application. However, if the payment were \$2,500, the amount that exceeds \$2,000—\$500—would be reported as untaxed income.
- **Heating/fuel assistance.** This includes payments or allowances received under the Low-Income Home Energy Assistance Act (LIHEA). Payments under the LIHEA are made through state programs that may have different names.
- **Flexible spending arrangements.** These are employee benefit programs, sometimes also called "cafeteria plans." Neither contributions to nor payments from these programs should be counted as untaxed income.

Benefits received on behalf of dependents

Any benefits received by the head of household on behalf of anyone included in household size as reported on the FAFSA are income to the head of the household. However, if members of the household, such as an uncle or grandmother, receive benefits in their own names, those benefits are not reported as income of the head of household. Note that these people can't be included in household size if they receive in their own names more than half of their support through such benefits. Because student financial aid isn't counted as income, tuition benefits a parent receives for a dependent (for example, from the parent's employer) are not included as untaxed income. These tuition benefits are taken into account as resources and estimated financial assistance; see Chapter 10 of this publication.

Underpayments and overpayments of benefits

The student reports the actual amount of benefits received for the year in question, even if the amount is an underpayment or an overpayment that will be corrected in the next year. However, if the underpayment or overpayment was adjusted in the same year, only the net amount received during that year would be reported.

Cash support and in-kind support

As mentioned above, the student reports as income any cash support he or she received, but doesn't report in-kind income. The student reports any money he or she received, or money paid to someone else on his or her behalf. For example, if a friend or relative gives the student grocery money, it's reported as untaxed income. If the friend or relative pays the student's electric bill or part of the student's rent, the student must report those payments as untaxed income.

In-kind support is support in forms other than money, such as free food or housing. If a friend or relative gives the student food, or allows the student to live with them rent-free, that support isn't included as untaxed income. The one exception (mentioned above) is that the student has to report housing and other allowances received as compensation for a job.

If the student is living with someone who is paying living expenses, it can be difficult to determine whether the support is cash support or in-kind support. The basic rule is, if someone pays money that the student would otherwise pay, that money is counted as cash support. For example, if the student is living with a friend who pays the rent, but the student's name is the only one on the lease, the rent paid is counted as cash support. Because the student's name is on the lease, he or she, not the friend, is responsible for the payments, and so the friend is paying rent on the student's behalf.

Worksheet B other items**National and Community Service (AmeriCorps) living allowance.**

The National and Community Service Trust Act of 1993 allows people to earn postsecondary tuition funds by filling unmet community needs. Living allowances (but not other benefits) received under this program and reported as income should be reported as an exclusion. Earnings received under this program aren't included in the amount on Worksheet B.

Child-support payments. Any child-support payments made during 1999 by the student, spouse, or parent whose income is reported on the FAFSA should be reported as an exclusion. However, don't include child support paid for a child included in the household size reported on the FAFSA.

Child Support Payments Example

Steven is married; he and his wife have one child. He's also paying child support for a child he had with another woman. This child doesn't live with Steven and his wife, but because he's providing over half the child's support (through his child support payments), he counts the child in his household size. Therefore, he doesn't report the amount of child support he pays in Worksheet B on his FAFSA. Steven's wife is also paying child support for a child of hers that doesn't live with her. She isn't providing over half the child's support, so the child isn't included in Steven's household size. Therefore, Steven can report the amount of child support his wife pays in Worksheet B on his FAFSA.

Family Farm

A farm is a family farm if the farm is the principal place of residence and the family claimed on Schedule F of the tax return that it "materially participated in the farm's operation." In certain instances, however, even if the farm is incorporated and the family files a corporate return instead of IRS Schedule F, the farm is still considered a family farm and the net worth of the farm isn't reported on the FAFSA. In such cases, the applicant must show evidence that family members own all shares of stock in the corporation and that those family members also reside on the farm.

Rental Properties

Sometimes the student or parent will claim that rental properties represent a business. Generally, rental properties must be reported as real estate rather than as business assets. To be reported as a business, a rental property would have to be part of a formally recognized business. (Usually such a business would provide additional services, such as regular cleaning, linen, or maid service.)

Education IRAs

An Education IRA is essentially a savings account, and so is reported as an asset for the student beneficiary. It should be reported as an investment.

"Take-Back" Mortgages

In a "take-back" mortgage, the seller takes back a portion of the mortgage from the buyer and arranges for the buyer to repay that portion of the mortgage to the seller. For IRS purposes, the seller must report the interest portion of any payments received from the buyer on Schedule B of IRS Form 1040. Therefore, if an amount is reported on this line of the tax return, the family probably has an asset that should be reported on the FAFSA. The value of the take-back mortgage is the value that the student should report. There would be no debt reported against this asset. For instance, if the family sold its house for \$60,000 and had a take-back mortgage of \$20,000, the family should report \$20,000 as the net worth of the investment. This amount will decrease each year, depending on how much of the principal the buyer paid back that year. (This concept would also apply to other forms of seller financing of the sale of a home or other property.)

Assets

An asset is defined as property that is owned by the family and has an exchange value. A student does not report as assets possessions such as a car, a stereo, clothes, or furniture.

The law exempts certain assets from consideration for student aid purposes. Therefore, a family's principal place of residence is not reported as an asset. Neither is a family farm; only investment farms are reported as assets.

Ownership of an asset

In some cases, the ownership of an asset is divided or contested, which can affect how the student reports the asset on the application. There are several such situations:

- **Part ownership of asset.** If the parent or student has only part ownership of an asset, the student should report only that part. Generally, the value of an asset and debts against it should be divided equally by the number of people who share ownership, unless the share of the asset is determined by the amount invested or the terms of the arrangement specify some other means of division.
- **Contested ownership.** Assets shouldn't be reported if the ownership is being contested. For instance, if the parents are separated and can't sell or borrow against jointly owned property because it's being contested, the parent reporting FAFSA information would not list any net worth for the property. However, if the ownership of the property is not being contested, the parent would report the property as an asset. If ownership of an asset is resolved after the initial application is filed, the student can't update this information.
- **Lien against asset.** If there's a lien or imminent foreclosure against the asset, the asset would still be reported until the party holding the lien or making the foreclosure completes legal action to take possession of the asset. If the status of the property changes after the application is filed, the student can't update the asset information.

Types of assets

The FAFSA collects information about three types of assets in addition to cash, savings, and checking accounts: investments, businesses, and investment farms. Most assets are investments; some examples of investments are real estate, trust funds, mutual funds, money-market funds, stocks, bonds, commodities, and precious metals. If the asset isn't a business or investment farm, it should be reported as an investment.

The FAFSA used to ask the student to report both the total value of the asset and the debt against it. The CPS then calculated the net worth. Now the FAFSA only asks the student to report the net worth of the asset. The student must figure the total current market value of the

investment, and subtract from that amount those debts that are related to the investment. If the net worth is negative, the student reports a net worth of zero on the application.

Similarly for a business, the current net worth should be reported for land, buildings, machinery, equipment, and inventories, except that the student shouldn't include the family's primary residence if it's part of the business. The current market value of the business asset is reduced by the business debt to arrive at the business net worth.

For an investment farm, current market value includes the value of the land, buildings, machinery, equipment, livestock, and inventories. The farm debt includes the unpaid mortgage and related debts, as well as any debts for which the farm assets were used as collateral. As noted earlier, a student should not report a family farm as an asset.

Reporting trust funds

Trust funds in the name of a specific individual should be reported as that person's asset on the application. As a general rule, the student must report the present value of the trust as an asset, even if the beneficiary's access to the trust is restricted. If the settlor of a trust has voluntarily placed restrictions on the use of the trust, then the student should report the trust as an asset, just like trusts without restrictions. If a trust has been restricted by court order, however, the student should not report it as an asset. An example of such a restricted trust is one set up by court order to pay for future surgery for the victim of a car accident.

The way in which the trust must be reported varies according to whether the student (or dependent student's parent) receives or will receive the interest income, the trust principal, or both.

Interest only

If a student, spouse, or parent receives only the interest from the trust, any interest received in the base year must be reported as income. Even if the interest accumulates in the trust and is not paid out during the year, the person who will receive the interest must report an asset value for the interest he or she will receive in the future. The trust officer can usually calculate the present value of the interest the person will receive while the trust exists. This value represents the amount a third person would be willing to pay to receive the interest income that the student (or parent) will receive from the trust in the future.

Principal only

The student, spouse, or parent who will receive only the trust principal must report the present value of his or her right to the trust principal as an asset. For example, if the principal is \$10,000 and it reverts to a dependent student's parents when the trust ends in 10 years but the student is receiving the interest earned from the trust, the student must report as a parental asset the present value of the parents' rights to the trust principal. The present value of the principal

is the amount that a third person would pay at the present for the right to receive the principal 10 years from now (basically, the amount that one would have to deposit now to receive \$10,000 in 10 years, including the accumulated interest). Again, the present value can be calculated by the trust officer.

Both principal and interest

If a student, spouse, or parent receives both the interest and the principal from the trust, the student should report the present value of both interest and principal, as described in the discussion of principal only. If the trust is set up so that the interest accumulates within the trust until the trust ends, the beneficiary should report as an asset the present value of the funds (both interest and principal) that he or she is expected to receive when the trust ends.

Excluded assets

Some assets aren't reported on the form. These include:

- **Tuition prepayment plans.** This includes the Michigan Education Trust and all similar tuition prepayment plans. The annual tuition prepayment amount will be taken into account when the student's aid is packaged.
- **Pensions and whole life insurance.** Pensions aren't counted as assets for application purposes. Of course, when the income from a pension is distributed to the beneficiary, the income must be reported. The cash value or built-up equity of a life insurance policy (often referred to as a whole-life policy) isn't reported as an asset. The Education IRA is counted as an asset for the student beneficiary because, despite its name, it isn't a retirement account.
- **Excluded assets for Native American students.** The law explicitly excludes reporting any property received under the Per Capita Act or the Distribution of Judgment Funds Act (25 United States Code 1401, et seq.), the Alaska Native Claims Settlement Act (43 United States Code 1601, et seq.), or the Maine Indian Claims Settlement Act (25 United States Code 1721, et seq.).

Qualified state tuition programs

Some states have state-sponsored college savings plans, which may also be known as qualified state tuition programs (QSTPs). Because the plans are covered in section 529 of the tax code, they may also be called section 529 plans. The IRS defines two types of QSTPs.

Under the first type of QSTP, someone can buy tuition credits or certificates that can be used for the beneficiary's college expenses. The buyer is buying designated units of attendance in advance, and the number of units doesn't change even if the actual tuition at a school increases. This type of plan is essentially a type of tuition prepayment plan. Like other tuition prepayment plans, the amount in this program isn't reported as an asset.

Signature Requirements for Application and Verification Information

	<i>Application</i> (FAFSA, FOTW, EDE, FAFSA Express)	<i>IRS Forms</i> 1040 or other form submitted for verification	<i>Verification Worksheet</i>	
General Req's	Student	Must sign statement that data are accurate (on application, echo document, or signature page or by use of PIN)	Tax return must be signed by student (or spouse) or by the tax preparer (or preparer's stamp)	Must sign worksheet
	Parent(s) (if student is dependent)	One parent must sign statement that data are accurate (on application, echo document, or signature page)	Tax return must be signed by one parent or by the tax preparer (or preparer's stamp)	One parent must sign
	FAA	Must certify if dependency override is performed		
	<i>SAR</i> to be submitted for corrections	<i>EDE</i> corrections	<i>Professional Judgment</i> on SAR or through EDE	
Additional Pell Req's	Student	Must sign corrections statement on Part 2 of SAR	School must have signed documentation	
	Parent(s) (if student is dependent)	One parent must sign the corrections statement on Part 2 of the SAR	School must have signed documentation	
	FAA			Must certify for adjustments or dependency override

Under the second type of QSTP, someone can make contributions to an account that's to be used for the beneficiary's college expenses. Because the buyer isn't buying tuition credits or certificates, this type of plan isn't considered a tuition prepayment plan. Instead, it's essentially a specialized savings account. The account should be reported as an asset of the owner (not the beneficiary, because the owner can remove or change the beneficiary at any time).

SIGNATURE REQUIREMENTS

The student must sign the FAFSA before submitting the information for processing. In addition to certifying that the data on the FAFSA is correct, the student is also signing the Statement of Educational Purpose, which is required to receive SFA aid. If the student is dependent, one parent whose information is reported on the FAFSA must also provide a signature. The school must also have a signature from the student (and one parent, for a dependent student) for corrections.

Signatures for Electronic Applications

Like students who apply using paper FAFSAs, those who apply electronically must meet certain signature requirements. As of 2000-2001, students who indicated on their application that they would print, sign and mail in a signature page can call FAFSA on the Web customer service and have their record released from the FAFSA hold file. Because no signature page has been received, the FAFSA processor will produce a rejected SAR and mail it to the student to sign and return. Also, the processor will now accept the first document it receives—either the signed signature page or the signed SAR.

The PIN

New for 2000-2001 is the PIN, which replaces the Electronic Access Code (EAC) and which has greater application, as outlined in the introduction.

EDE

If a student applies through the EDE system, the school must obtain the signatures on a completed paper FAFSA or on the “echo document” printed through EDE, and must keep the signed document (original or imaged) in its files even if the student doesn’t receive federal student aid or doesn’t attend that school.

FAFSA on the Web and FAFSA Express

Students can print out a signature page for *FAFSA on the Web* and *FAFSA Express*, sign it, and mail it to the processor. If the processor doesn’t receive a signature page within 14 calendar days of receiving the application data, it will mail a “reject 16” SAR to the student. The student can sign this SAR and return it to the processor. If the student chooses not to print and send a signature page, or if no printer was available, the processor won’t wait 14 days to print a rejected SAR for the student, but will generate one within 72 hours of receiving the data.

As noted in the introduction, students who have PINs can electronically sign their FAFSA. Parents who have a PIN can also electronically sign. Both parents and students will have to provide their Name ID (first two letters of their last name), SSN and date of birth along with the PIN. See Action Letter #6 (Dec. 1999) for more details.

Schools and states receive ISIRs for reject 16 records. A student’s reject 16 SAR and his or her ISIR will reflect the data that he or she provided on the application; however, the CPS won’t calculate an EFC for the student until it receives a signed signature page or a signed SAR. A school can also collect the required signatures at the school, either on the SAR or a document that has the required certification statements (EDEXpress allows schools to print out a signature page for the ISIR). The school can then submit an electronic correction showing that the signatures have been provided.

Renewal FAFSA on the Web

The Personal Identification Number (PIN) substitutes for the student's signature. (See the Introduction to this Volume for information on the PIN.) For an independent student, no other signatures are needed, so no signature page is necessary. The application will be processed within 72 hours. Then the student will receive a SAR, and the schools listed on his or her application will receive ISIRs.

For a dependent student, a parent with a PIN can electronically sign. Otherwise, *Renewal FAFSA on the Web* will ask the student to print a signature page in order to collect the required parent's signature. If the student indicates that no printer was available, the CPS will generate a "reject 15" output document for the student within 72 hours. If a printer was available, the processor will wait up to 14 calendar days to receive the signed page. If it doesn't receive a signed signature page within 14 days, it will generate a reject 15 SAR and send it to the student. The student must have a parent sign the SAR and must send it to the address on the SAR.

As is the case with *FAFSA on the Web* and *FAFSA Express* reject 16 records, schools and states will receive ISIRs for reject 15 records. A student's SAR and ISIR will reflect the data provided on the application; however, the processor won't calculate an EFC for the student until it receives the parent's electronic signature or the signed SAR or signature page.

Substitute for Parent's Signature

Although parental information must be provided for a dependent student, a high school counselor or a postsecondary school's aid administrator may sign the application in place of the parent(s) if:

- the parent(s) is not currently in the United States **and** cannot be contacted by normal means,
- the current address of the parent(s) is not known, or
- the parent(s) has been determined physically or mentally incapable of providing a signature.

The signature of a counselor or aid administrator serves as a mechanism to get the application through the processing system. The counselor or aid administrator must provide his or her title in parentheses next to his or her signature and briefly state the reason (only one reason is needed) why he or she is signing for the parent(s). The counselor or aid administrator assures a minimum level of credibility in the data submitted. However, the counselor or aid administrator does not assume any responsibility or liability in this process. If the aid administrator finds any inaccuracies in the information reported, he or she should direct the student to send the SAR through the normal correction process or should submit corrections through EDE.

Preparer's Signature

The law requires that if anyone other than a student, the student's spouse, or the student's parents prepares the application, then the preparer must write in his or her name, the firm/company name (if applicable), the firm/company address, and either the firm/company's Employer Identification Number (EIN) (as assigned by the IRS) or the preparer's SSN.

The preparer must also sign the form. High school counselors, aid administrators, and others who help students with their applications by actually filling out line items on the form or dictating responses to items on the form are considered preparers. Preparers must complete this section even if they are not paid for their services.

Signatures for Corrections and Adjustments

If an FAA is making a correction through EDE, the school must have signed documentation for the correction from the student and parent. This signed documentation can be signatures on Part 2 of the SAR, a signed copy of the correction to be sent to the processor, or signed verification documentation. The school must collect this documentation before sending data to the processor.

Students with PINs may correct any SAR items except their SSN and date of birth by using *Corrections on the Web* at www.fafsa.ed.gov. If only student data is changed, the parent does not need to sign; this applies only to *Corrections on the Web* and not to the paper SAR.

If the student chooses to make a correction on a paper SAR, the student and one parent (for a dependent student) must sign Part 2 of the SAR.

An FAA making a professional judgment adjustment can submit the change without a signature from the parent or student.